Workers' Compensation Board of Nova Scotia

Corporate Plan Summary 2002-2006

Introduction

The Workers' Compensation Board (WCB) of Nova Scotia is a workplace accident insurance agency established in 1917 to administer the province's *Workers' Compensation Act*. The WCB administers various medical and financial benefits and rehabilitation services to workers who have been injured on the job. This WCB coverage is intended to protect both workers and employers from the human and financial costs of workplace accidents.

These benefits and services are administered by the WCB on behalf of employers who, as a result of an historic compromise between workers and employers, fund the system and are, in turn, protected from legal action by their employees.

Over the past ten years, the WCB has made significant strides in improving the services it offers to the workers and employers in Nova Scotia. The WCB has significantly reduced its unfunded liability; implemented an earnings-loss compensation system that is more fair to injured workers; introduced a periodic payment system for employers with the Canada Customs and Revenue Agency (CCRA); facilitated a comprehensive review of the workers' compensation system; established a program to assist injured workers to manage chronic pain; worked with the province's Service Nova Scotia and Municipal Relations (SNSMR) Department and CCRA to develop a single electronic access point for government information and services (the Nova Scotia Business Registry - NSBR); and helped develop a one-of-a-kind university program in Disability Case Management with Dalhousie University.

Significant steps have been taken to improve service to our clients while providing financial stability to the workers' compensation system. The journey, however, is far from over. During the next five years the WCB of Nova Scotia will continue to strive to achieve its goals and objectives by improving service; utilizing up-to-date technology and partnerships; and supporting our employees by providing them with the tools, skills, and environment they need to do this very important work for Nova Scotians.

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Corporate Plan

The WCB is committed to delivering quality service to the employers and injured workers of Nova Scotia. To achieve this objective and ensure that resources are used effectively, the WCB Board of Directors has put in place a five-year planning cycle, which is updated each year. This strategic planning process ensures that, while the day-to-day operational responsibilities are met, the organization is also evolving to meet the longer-term needs of our clients - both workers and employers. The Corporate Plan, as it is called, has two major components - business and financial planning.

The Corporate Plan reflects the mission and vision of the Workers' Compensation Board, and focuses its efforts in four strategic areas: Improving Service, Increasing Accountability, Building Strength Within, and Communicating Effectively.

A healthy, working Nova Scotia.

To co-ordinate the workers' compensation system to assist injured workers and their employers by providing timely medical and rehabilitative support to facilitate the efforts of injured workers to return to work; and by providing appropriate compensation for work-related disabilities.

Strategic Direction

The four strategic areas noted below reflect the balance in the WCB's efforts to provide quality service, maintain long-term financial stability, report back to its stakeholders, and support development of a staff who are focused on delivering quality service. To develop a cost-effective delivery system, the WCB of NS is also striving to build partnerships with other participants in the workers' compensation system to reduce duplication of effort and red tape; minimize the costs of building or acquiring new systems and technology; and improve service by sharing resources and information.

Specifically, in 2002 the WCB will continue to revitalize the compensation system by improving processes, introducing user-friendly technology that facilitates the exchange of information, and ensuring resources are appropriate to deliver the service that our stakeholders require.

This section identifies the corporate objectives that have been set in each of the four strategic areas, the key initiatives the WCB has either planned or that are already underway, and the corporate performance measures the WCB Board of Directors has put in place to measure our success in achieving these objectives.

Improving Service

Strategic Goal

To continually improve the timeliness, responsiveness, effectiveness and quality of service delivered to workers and employers.

Corporate Objective

To improve the quality of the service in the following areas:

- timeliness of service;
- consistency of service;
- accuracy of service;
- return to work rates;
- resource efficiency;
- responsiveness of service; and
- treatment of individuals in a courteous and dignified manner.

Key Initiatives to Achieve these Objectives

Client Services Delivery Model (CSDM)

An initiative to re-engineer internal processes to ensure timely, appropriate, and flexible claims processing and case management services are provided to injured workers and employers.

Outcomes

- The right service to the right person at the right time.
- Appropriate level of WCB staff available to support and manage short- and long-term claims.
- Continuous monitoring of WCB processes to identify opportunities for further improvement.
- New methods of accident reporting.
- Faster delivery of first compensation payments to injured workers.

Electronic Claim File and Data Warehouse

An initiative to reduce the WCB's reliance on "paper" versions of injured workers' claim files by building a comprehensive computer system to manage WCB claims and organizational performance information.

Outcomes

- Faster and more complete access by WCB staff to all the information needed to evaluate and process a claim.
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- Off-site access to claim information for WCB employees.
- Better information to WCB management to assist in strategic decision-making.
- Easier access to claim and appeal information by the WCB, Workers' Compensation Appeals Tribunal (WCAT), and Workers' Advisers Program (WAP).

Assessment Payment Plan (APP)

In partnership with the Canada Customs and Revenue Agency (CCRA), the WCB allows employers to remit their payroll information and payments at the same times, locations, and frequencies as those offered by CCRA.

Outcomes

- Harmonized forms and procedures with the Canada Customs and Revenue Agency, to reduce the administrative burden on employers.
- Greater flexibility for employers in paying assessment premiums and providing information.
- Continuous monitoring of the system and processes to identify opportunities for fine-tuning and improvement.

Nova Scotia Business Registry (NSBR)

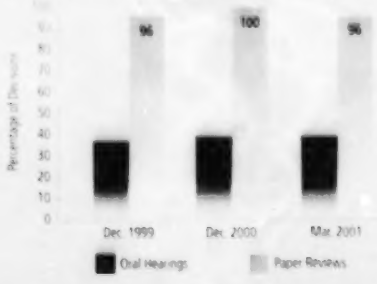
A comprehensive internet site designed to help employers who wish to do business in Nova Scotia. The site offers companies and individuals web-based access to a variety of provincial and federal government services.

Outcomes

- "One-stop shopping" for employers accessing a variety of government departments and services, including the WCB, the Government of Nova Scotia, and the Canada Customs and Revenue Agency.
- Web-based access to over 30 business licenses and permits
- Improved access to services with extended hours through technology.
- Clearance letters available to employers 24 hours a day via the Internet.
- Opportunity to explore future joint ventures.

Timeliness of Appeals Decisions

This CPM measures how quickly decisions are issued on claims when appeals have been filed with the WCB's Internal Appeals Department. It is the percentage of Hearing Officer decisions issued within 90 days of an appeal being filed.



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Explore New Partnership Opportunities

Outcomes

- Potential information sharing with provincial Departments of Health and Community Services and Human Resources Development Canada.
- Reduced administrative burden and potential development of a continuum of benefit programs.

Corporate Performance Measures

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2. Timeliness of Accident Reporting
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4. Client Satisfaction: (a) Injured Workers
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   i. promptness of benefits delivery/service
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Increasing Accountability

Strategic Goal

To develop and adhere to evaluation and reporting mechanisms, allowing our stakeholders to assess and measure our performance. In addition, to provide financial stability in the workers' compensation system for the insured employers and workers of the province.

Corporate Objectives

To increase accountability to our stakeholders by reporting on:

- adherence to the Funding Strategy;
- adherence to legislative requirement to fund current costs;
- appropriate management of administration costs; and
- performance through Corporate Performance Measures (CPMs).

Key Initiatives to Achieve these Objectives

Implement appropriate recommendations of Corporate Performance Measures Advisory Committee.

The Corporate Performance Measures Advisory Committee was made up of WCB stakeholders including employers, injured workers and the education community in order to review the measures, targets, and mechanisms that the WCB uses to assess its performance.

Outcome

- Improved measurement and reporting of WCB's performance.

Statutory Review of Workers' Compensation

Outcomes

- Review to take place in 2001 and report to be completed by March 2002. The WCB will dedicate resources to assist the Committee by providing financial and statistical information and research and data management services as required.
- Establish operational plan to evaluate and implement recommendations as appropriate.
- Review the impact of the Committee recommendations, after the Government response, on the average assessment rate and the Funding Strategy.

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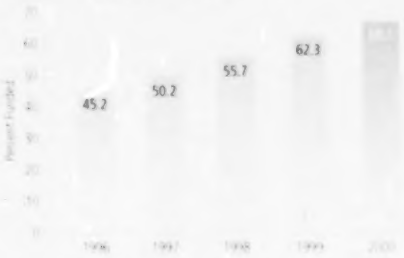

Corporate Performance Measures

- Average Actual Assessment Rate
- Percentage Funded
- Rate of Return on Investment Portfolio
- Administration Costs Relative to Total Assessable Payroll

Building Strength Within

Strategic Goal

To ensure that our employees have the knowledge, skills, and support needed to deliver prompt, effective service.

Corporate Objectives

To build our strength within by:

- providing effective management that respects and values employees;
- ensuring staff have the skills and tools required to do their jobs;
- providing opportunities for personal growth and professional development;
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Performance Measurement and Management Process

Outcomes

- Clearly articulated individual work goals and objectives.
- Support and training required to achieve performance level identified.
- Formal review periodically during the measurement period, as well as annually.
- Job-specific training conducted on an ongoing basis as required.
- Continual improvements to the Performance Development Process.

Workload and Process Monitoring

Outcomes

- Ongoing evaluation of staff workloads to ensure appropriate resources are in place to deliver service to our clients.
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Outcomes

- Provide an opportunity for workers, employers, and other stakeholders to meet with senior WCB representatives and discuss any issues or plans.

Facilitate WCB and Occupational Health and Safety Division Co-operation

Outcomes

- Provide a more comprehensive workplace accident prevention and insurance system for Nova Scotians through increased co-operation.
- Utilize the WCB's developing data warehouse to more accurately target, identify, and implement OH&S activities that would benefit the stakeholders of both organizations.
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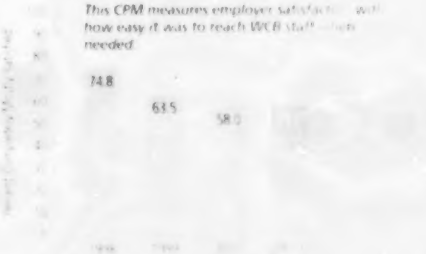

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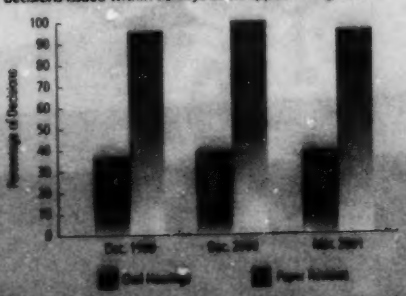

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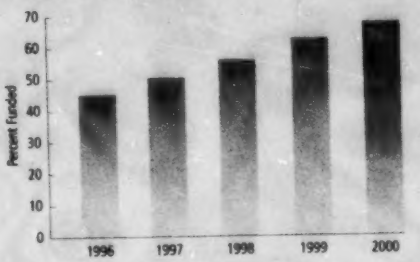

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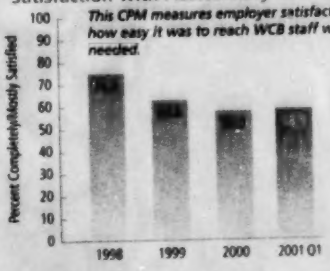


Five Year Financial Plan

The Workers' Compensation Act (1996) requires the WCB to: make assessments on employers, collect sufficient funds to meet the current and future costs of all claims for all injuries occurring during the year; pay the expenses incurred to administer the *Act*; and pay all other amounts required to operate the system from the Accident Fund.

Funding Strategy

In workers' compensation, assessment revenue should roughly equal current-year costs, otherwise transfers to and from future or past employers are occurring. Unfortunately, for many years in Nova Scotia annual funding was not sufficient to cover yearly costs. As a result, the WCB of Nova Scotia was only 27% funded in 1993 and had an unfunded liability. In 1995 a Funding Strategy was put in place to address this situation, and, as of 2000, the WCB was 68.3% funded.

The funding requirements outlined above, when combined with the Funding Strategy, give the WCB a clear guideline for funding and budgeting on an annual basis. The objective of the Funding Strategy is to bring the workers' compensation system to "full funding" (ensuring that assets are sufficient to meet liabilities). The Funding Strategy outlines the WCB's proposed approach to funding current operations and the eventual elimination of the unfunded liability.

The Funding Strategy is revisited annually to incorporate actual experience and changes in the assumptions used to generate the strategy. In updating the Funding Strategy for 2002, actual claims, assessable payroll (premium revenue), and investment experience for 1995 through 2001, including Bill 90 (passed in 1999), were taken into account.

The Funding Strategy still anticipates that the WCB's unfunded liability could be eliminated during 2010. However, this assumes there won't be significant changes to benefits or coverage. Revisions to the Funding Strategy may become necessary as the balance between benefit levels, the unfunded liability elimination period, and assessment rate levels is affected by a combination of legislative amendments, judicial decisions, changes in economic conditions, and/or WCB Board of Director's policy decisions.

The WCB recognizes that there are pressures to reduce rates and increase benefits. Given the 68.3% funded position and the WCB's limited experience with an earnings-loss system, the WCB has taken the prudent course of deferring consideration of possible changes in rates and benefits until after the Workers' Compensation review is completed and the outcome is known. This Funding Strategy presents the framework on which future discussions may take place. This financial framework does not contemplate either a reduction of assessment rates or an increase in benefits until the unfunded liability is eliminated.

The targeted average assessment rate in 2002 is $2.54, and is currently projected to remain at that level until full funding is achieved. The assessment rate is divided between two major components, with $1.83 being allocated for costs of claims and administration and $.71 for elimination of the unfunded liability. Approximately 28% of the average rate is directed to reduce the unfunded liability.

2002 Financial Projections

Revenues for 2002 are based on a projection for registered firms' assessable payroll of $6.48 billion, yielding assessment revenue of $167.1 million, investment income of $49.7 million, and self-insurer receipts of $31.1 million. The target for total revenues for 2002 is $247.9 million. The forecast for claims costs incurred for 2002 accidents is $113.1 million and growth in the benefits liabilities for accidents occurring in prior years is $66.1 million, which totals $179.2 million.

Administration Budget

The total 2002 Administration and Legislated Obligations budget is $37.8 million, an increase of 2.4% over 2001. This includes the WCB's $28.9 million for operations, capital, and projects budgets, as well as $8.9 million for the Workers' Advisers Program, the Workers' Compensation Appeals Tribunal, and Occupational Health and Safety.

The WCB's 2002 Operations budget is $27.1 million. This includes an increase to address increasing time loss claims and assessable payroll volumes. This 2002 operations budget keeps the Nova Scotia WCB at or below the national average administrative expense ratio per $100 of assessable payroll and does not increase the average assessment rate.

The WCB's focus in 2002 will be to deal with the increases in time-loss claim volumes and short term claim durations. In 2000 there was a 17% increase in short-term disability costs. A number of factors, including the 11% increase in time-loss claims and longer claim durations caused this increase in short-term disability claim costs. This resulted in an $11 million increase in the total reported for liabilities for short-term disability benefits.

In 1996, the WCB of Nova Scotia adopted a philosophy of early intervention to reduce the human and financial toll of injuries by returning people to work as soon as possible, thereby containing claim durations. With an 11% increase in time-loss claims during 2000 alone, WCB staff have not been able to devote the critical attention needed to claims management.

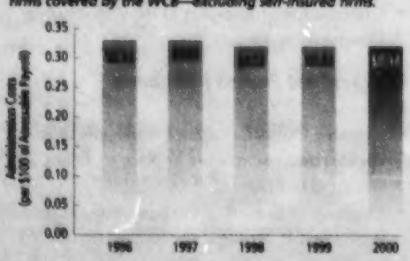
Based on actuarial estimates, total annual short- and long-term disability costs potentially avoided by proper duration management are $4.1 million. Additional resources will be added in 2002 to address the increasing work volumes, the increasing claim durations and the complexity concerns associated with the introduction of the Assessment Payment Plan.

This strategic investment in staff will focus on new "front-line" positions, providing more access to services for injured workers and employers. However, through 2002 the WCB will closely monitor the impact of this investment. Specifically, the WCB will measure and manage this investment's effect on durations and short-term disability costs.

Administration Costs

per $100 of Assessable Payroll

To calculate this CPM, the WCB's total administration expense (not including the cost associated with OH&S, WAP and WCAT) is divided by the total assessable payroll of all firms covered by the WCB—excluding self-insured firms.



For More Information

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Board of Directors

Chair: Vacant
Deputy Chair: Dr. Oscar Wong

Worker Representative: Roberta Morrison
Worker Representative: Jim Neville
Worker Representative: Charlene Long

Employer Representative: Gary Dean
Employer Representative: Elwood Dillman
Employer Representative: Jim Melvin

Public-at-Large Representative: Paul LeBlanc
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In workers' compensation, assessment revenue should roughly equal current-year costs, otherwise transfers to and from future or past employers are occurring. Unfortunately, for many years in Nova Scotia annual funding was not sufficient to cover yearly costs. As a result, the WCB of Nova Scotia was only 27% funded in 1993 and had an unfunded liability. In 1995 a Funding Strategy was put in place to address this situation, and, as of 2000, the WCB was 68.3% funded.

The funding requirements outlined above, when combined with the Funding Strategy, give the WCB a clear guideline for funding and budgeting on an annual basis. The objective of the Funding Strategy is to bring the workers' compensation system to "full funding" (ensuring that assets are sufficient to meet liabilities). The Funding Strategy outlines the WCB's proposed approach to funding current operations and the eventual elimination of the unfunded liability.

The Funding Strategy is revisited annually to incorporate actual experience and changes in the assumptions used to generate the strategy. In updating the Funding Strategy for 2002, actual claims, assessable payroll (premium revenue), and investment experience for 1995 through 2001, including Bill 90 (passed in 1999), were taken into account.

The Funding Strategy still anticipates that the WCB's unfunded liability could be eliminated during 2010. However, this assumes there won't be significant changes to benefits or coverage. Revisions to the Funding Strategy may become necessary as the balance between benefit levels, the unfunded liability elimination period, and assessment rate levels is affected by a combination of legislative amendments, judicial decisions, changes in economic conditions, and/or WCB Board of Director's policy decisions.

The WCB recognizes that there are pressures to reduce rates and increase benefits. Given the 68.3% funded position and the WCB's limited experience with an earnings-loss system, the WCB has taken the prudent course of deferring consideration of possible changes in rates and benefits until after the Workers' Compensation review is completed and the outcome is known. This Funding Strategy presents the framework on which future discussions may take place. This financial framework does not contemplate either a reduction of assessment rates or an increase in benefits until the unfunded liability is eliminated.

The targeted average assessment rate in 2002 is $2.54, and is currently projected to remain at that level until full funding is achieved. The assessment rate is divided between two major components, with $1.83 being allocated for costs of claims and administration and $.71 for elimination of the unfunded liability. Approximately 28% of the average rate is directed to reduce the unfunded liability.

2002 Financial Projections

Revenues for 2002 are based on a projection for registered firms' assessable payroll of $6.48 billion, yielding assessment revenue of $167.1 million, investment income of $49.7 million, and self-insurer receipts of $31.1 million. The target for total revenues for 2002 is $247.9 million. The forecast for claims costs incurred for 2002 accidents is $113.1 million and growth in the benefits liabilities for accidents occurring in prior years is $66.1 million, which totals $179.2 million.

Administration Budget

The total 2002 Administration and Legislated Obligations budget is $37.8 million, an increase of 2.4% over 2001. This includes the WCB's $28.9 million for operations, capital, and projects budgets, as well as $8.9 million for the Workers' Advisers Program, the Workers' Compensation Appeals Tribunal, and Occupational Health and Safety.

The WCB's 2002 Operations budget is $27.1 million. This includes an increase to address increasing time loss claims and assessable payroll volumes. This 2002 operations budget keeps the Nova Scotia WCB at or below the national average administrative expense ratio per $100 of assessable payroll and does not increase the average assessment rate.

The WCB's focus in 2002 will be to deal with the increases in time-loss claim volumes and short term claim durations. In 2000 there was a 17% increase in short-term disability costs. A number of factors, including the 11% increase in time-loss claims and longer claim durations caused this increase in short-term disability claim costs. This resulted in an $11 million increase in the total reported for liabilities for short-term disability benefits.

In 1996, the WCB of Nova Scotia adopted a philosophy of early intervention to reduce the human and financial toll of injuries by returning people to work as soon as possible, thereby containing claim durations. With an 11% increase in time-loss claims during 2000 alone, WCB staff have not been able to devote the critical attention needed to claims management.

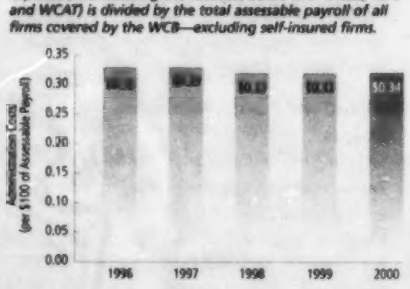
Based on actuarial estimates, total annual short- and long-term disability costs potentially avoided by proper duration management are $4.1 million. Additional resources will be added in 2002 to address the increasing work volumes, the increasing claim durations and the complexity concerns associated with the introduction of the Assessment Payment Plan.

This strategic investment in staff will focus on new "front-line" positions, providing more access to services for injured workers and employers. However, through 2002 the WCB will closely monitor the impact of this investment. Specifically, the WCB will measure and manage this investment's effect on durations and short-term disability costs.

Administration Costs

per $100 of Assessable Payroll

To calculate this CPM, the WCB's total administration expense (not including the cost associated with OHBS, WAP and WCAT) is divided by the total assessable payroll of all firms covered by the WCB—excluding self-insured firms.



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